

Contracting Parties
Fourth Session

Review of Application of Quantitative Restrictions
on Imports Designed to Afford Protection to
Domestic Industry

Memorandum submitted by the United States

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At the present time, most of the Contracting Parties are maintaining quantitative restrictions on imports on balance-of-payments grounds. These restrictions have now been in effect for a number of years and are exerting a significant influence on the pattern of international trade.

Most systems of import control tend to determine not only the volume but also the composition of the imports of the controlling country. It follows, therefore that most systems of quantitative restrictions on imports, even though developed for the purpose of dealing with a current balance-of-payments difficulty, almost invariably have a significant protective incidence. Such restrictions, unless accompanied by the most severe limitations upon domestic capital investment, are bound to stimulate the production of commodities which are directly or partially competitive with those excluded. Indeed, the principal criterion of a country developing a scheme of quantitative restrictions intended to meet a balance-of-payments difficulty is commonly to develop its list of restricted products on the basis of the degree to which alternative domestic sources can be created.

However, the protective incidence of quantitative restrictions is not usually due to these incidental effects alone. Once a country has initiated a system of import restrictions to meet its balance-of-payments difficulties, it is under constant pressure to adapt that system of restrictions to the specific object of protecting domestic industry, rather than of protecting its monetary reserves. The increasing importance of the protectionist motivation in the development of patterns of import restrictions has come to be generally acknowledged by competent observers of many nationalities in recent months.

This problem is one of the utmost importance for all of the contracting parties to the GATT. It represents a challenge to a fundamental principle embodied in the GATT- the principle that quantitative restrictions on imports should not be used as a protective device. The United States is of a view that some significant progress can be made in meeting this problem if the matter were to be explored fully and frankly among the contracting parties. The Contracting Parties are already agreed, through their adherence to the principles of the GATT, that if such progress is achieved, it will benefit the trade and living standards of all member countries.